

CERTIFIED FINANCIAL PLANNER
BOARD OF STANDARDS, INC.

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August 23, 2010

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File Number S7-12-10, Investment Company Advertising: Target Date Retirement Fund Names and Marketing

Dear Ms. Murphy:

Certified Financial Planner Board of Standards, Inc. (CFP Board) appreciates the opportunity to comment on the proposed amendments to rule 482 under the Securities Act of 1933 and rule 34b-1 under the Investment Company Act of 1940 relating to advertisements and sales literature (collectively marketing materials) for target date retirement funds (hereinafter target date funds).¹ In the Proposing Release, the Securities and Exchange Commission (SEC) stated that these rules are designed to address “concerns that a target date fund’s name may contribute to investor misunderstanding about the fund” and “concerns regarding the degree to which the marketing materials provided to 401(k) plan participants and other investors in target date funds may have contributed to a lack of understanding by investors of those funds and their associated strategies and risks.”²

We commend the SEC for taking steps to address these concerns, and believe the proposed amendments will go a long way toward achieving the SEC’s goals. Therefore, as indicated below, we generally support the adoption of the SEC’s proposals. However, we also believe that the proposals do not go far enough to address the concern that many investors, especially retirement plan participants, do not understand sufficiently the extent to which many target date funds are managed in ways different from those investors may reasonably expect. Therefore, we recommend that the SEC require certain additional disclosures in order to increase investors’ understanding of their portfolio composition and associated risks. We believe the SEC should require disclosures aimed at enhanced understanding of a target date fund’s glide path and asset allocation at the target date and landing point. Further, the SEC should require additional information about specific asset sub-classes in which a target date fund invests. Finally, the SEC should require clear and prominent disclosures that will alert investors when a target date fund’s equity allocation differs materially at the target date, landing point, and during the five-year periods immediately preceding those dates, from the average allocations of peer funds with the same target date.

¹ Investment Company Advertising: Target Date Retirement Fund Names and Marketing, Inv. Co. Act Rel. No. 29,301 (June 16, 2010), 75 Fed. Reg. 35,920 (June 23, 2010) (to be codified at 17 C.F.R. pts. 230, 275) [Proposing Release].

² *Id.* at 35,923.



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I. Background on CFP Board

CFP Board is a non-profit organization that acts in the public interest by fostering professional standards in personal financial planning through setting and enforcing education, examination, experience, and ethics standards for financial planner professionals who hold the CFP® certification. Our mission is to benefit the public by granting the CFP® certification and upholding it as the recognized standard of excellence for personal financial planning. We currently regulate 62,000 CFP® professionals who agree on a voluntary basis to comply with our competency and ethical standards and subject themselves to the disciplinary oversight of CFP Board.

Financial planning professionals provide services that integrate knowledge and practices across the financial services industry. Financial planning typically covers a broad range of subject areas, including investment, income tax, education, insurance, employee benefits, retirement, and estate planning. Financial planners work with their clients to determine whether and how they can meet their life goals through the proper management of their financial resources. CFP® professionals are heavily involved in retirement planning, and many are employees, agents, or registered representatives of fiduciary advisers under ERISA. They help individuals plan for retirement by determining retirement needs, selecting a retirement plan, determining contribution levels, choosing investments, and planning distributions in retirement. This typically requires the planner to take into account Social Security income, personal savings and investments, income tax issues, Medicare choices, investment risk, and the appropriate asset allocation.

II. Target Date Funds Are Not the Simple Investment Solutions Investors Believe Them to Be

Today, individual investors are increasingly responsible for their retirement security due to a shift from defined benefit plans to defined contribution plans, such as 401(k) plans. These plans place the burden on individuals to accumulate sufficient assets for retirement—including responsibility for ensuring adequate contributions as well as constructing and managing their own portfolios. Employers and investors/plan participants alike are increasingly turning to target date funds as the retirement vehicle of choice, both inside and outside of retirement plans. A recent Towers Watson survey of large employers found that 72% use target date funds as the default option.³

Target date funds are generally marketed as simple solutions for investors' retirement needs. Marketing materials often label target date funds as "auto pilot" or "cruise control" investments pegged to an investor's expected retirement date. This message gives investors the impression that they can select a fund without considering their individual retirement needs or risk tolerance, and that they do not need to monitor the fund over time.

We believe that the use of a target date in a fund's name carries with it a message that is generally understood by investors. For example, the name "Target Date 2010" says to the investor: "This fund will invest in an appropriate mix of investments for someone retiring around the year 2010." This is a

³ TOWERS WATSON, 2010 DEFINED CONTRIBUTION SURVEY (2010), *available at* [http://www.towerswatson.com/assets/pdf/2376/Towers-Watson-2010-DC-Survey-Short\(1\).pdf](http://www.towerswatson.com/assets/pdf/2376/Towers-Watson-2010-DC-Survey-Short(1).pdf).

reasonable interpretation for investors to make. In planning for retirement, the average investor will identify the year in which she would like to retire and plan her investments so the funds are available as retirement income at that point in time. Investors have a reasonable expectation that a target date fund will be subject to relatively low volatility at the target date and in the period immediately preceding that date.

We strongly agree that “investors in target date funds are, almost by definition, not active market observers or researchers.”⁴ They are unlikely to look at a fund’s prospectus to determine the fund’s asset allocation or portfolio composition. Target date funds, by providing a simple investment solution, are designed to meet the needs of investors who do not have the time or inclination to develop and manage their own portfolios. Once invested in a target date fund, the investor is unlikely to monitor the performance of the fund.⁵

Because of their names and their marketing, many investors incorrectly believe target date funds are simple investment solutions. They do not realize that target date funds are generally managed to account for factors other than stability of principal approaching the retirement date, including time horizon, risk aversion, longevity risk, and inflation risk. For example, some target date funds are designed and managed to account for inflation risk and/or longevity risk (i.e., the risk an individual will outlive her assets), and maintain a high level of exposure to equity securities at and after the target date.

III. Additional Improvements to the Proposed Amendments Should Be Made to Protect Investors

The SEC’s proposals recognize that the use of a date in a target date fund’s name is problematic and may confuse many investors,⁶ and would require marketing materials that place a more than insubstantial focus on one or more target date funds to disclose the asset allocation at the target date immediately adjacent to the first use of a fund’s name. It is important that marketing materials inform investors that a target date fund does not provide a guaranteed source of retirement income and that investors must monitor and reevaluate the appropriateness of a target date fund over time. We strongly support the SEC’s efforts “to alert investors to the existence of investment risk associated with [a target date fund] at and after the target date.”⁷ We offer the following recommendations in relation to the SEC’s efforts to bring greater transparency to target date funds.

⁴ Mary L. Schapiro, Chairman, Securities and Exchange Commission, Opening Statement at Commission Open Meeting (June 16, 2010), available at <http://sec.gov/news/speech/2010/spch061610mls.htm>.

⁵ See Vallapuzha V. Sandhya, *Agency Problems in Target-Date Funds* 4 (2010), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1570578 (discussing research “indicating that investors are not monitoring the performance of” target date funds).

⁶ See Proposing Release, 75 Fed. Reg. at 35,925 (“We emphasize that investors should not rely on a fund’s name as the sole source of information about the fund’s investments and risks. A fund’s name, like any other single item of information about the fund, cannot provide comprehensive information about the fund. In the case of target date funds, the fund’s name provides no information about the asset allocation or portfolio composition. However, target date fund names are designed to be significant to investors when selecting a fund.”).

⁷ *Id.*

A. Investors Need to Know the Target Date Asset Allocation and Glide Path

In the proposing release, the SEC sought comment on whether additional disclosure should be required “indicating whether the glide path extends to the target date or through the life expectancy of the investor.”⁸ Funds should be required to disclose the asset allocation at the target date and then identify when the fund’s asset allocation becomes fixed. Requiring marketing materials to disclose the asset allocation at the target date would provide meaningful information about the fund’s investments at that date. Investors generally understand a target date fund to be one that will invest in an appropriate mix of investments for someone retiring at or around a particular time. However, many funds are designed to provide income through retirement.

We believe disclosing a fund’s landing point alone would be insufficient and could mislead investors. Rather, the SEC should require a target date fund to disclose whether the glide path is designed to extend “to” or “through” the target date in a narrative statement immediately following the required disclosure of the fund’s asset allocation. For example, a 2015 target date fund designed to reach its most conservative asset allocation in 2015 could include the following statement:

The fund invests in a diversified portfolio of stocks and bonds that is rebalanced to maintain its asset allocation and progressively becomes more conservative over time. The fund reaches its most conservative asset allocation (40% equity securities, 40% fixed income securities, 20% cash and cash equivalents) in the year 2015. The fund is designed for an investor who plans to withdraw the value of the account in, or close to, the year 2015.⁹

In comparison, a 2015 target date fund designed to reach its most conservative allocation in 2040 could include the following statement:

The fund invests in a diversified portfolio of stocks and bonds that is rebalanced to maintain its asset allocation and progressively becomes more conservative over time. “2015” in the fund name refers to the approximate year an investor in the fund would plan to retire and likely would stop making new investments in the fund. The fund does not reach its most conservative asset allocation (40% equity securities, 40% fixed income securities, 20% cash and cash equivalents) until the year 2040. The fund is designed for an investor who plans to withdraw the value of the investor’s account in the fund *gradually* after retirement.¹⁰

⁸ *Id.* at 35,928.

⁹ This statement mirrors one proposed by the Investment Company Institute (ICI) Target Date Fund Disclosure Working Group, but deletes an explanation of the year in the fund name and adds a specific disclosure about the year in which the fund reaches its most conservative asset allocation as well as the actual asset allocation at that date. See INVESTMENT COMPANY INSTITUTE, PRINCIPLES TO ENHANCE UNDERSTANDING OF TARGET DATE FUNDS (2009), available at http://www.ici.org/pdf/ppr_09_principles.pdf [ICI PRINCIPLES].

¹⁰ This statement is identical to the one proposed in the ICI Principles, but includes the additional disclosure regarding the landing point included in the prior proposed statement. See *id.*

The SEC should require similar statements to be included in marketing materials and prospectuses for all target date funds, and should prescribe the format and content for each statement. These statements should focus on helping investors to understand both the year in which the fund reaches its most conservative asset allocation as well as the actual asset allocation at that date.

The SEC has proposed requiring a statement about whether, and the extent to which, the intended asset allocations can be modified without a shareholder vote.¹¹ We believe this is important information that must be provided to investors in target date funds. As indicated in Morningstar's 2010 survey, there are three general approaches a target date fund may take regarding tactical allocation (i.e., the ability to deviate from the stated glide path).¹² Some funds do not permit tactical allocation, but rather stick to the stated glide path without any deviation. Other funds permit modest deviations at rebalancing periods, while others permit more substantial and active tactical allocation. Investors should be provided with information about a fund manager's ability to deviate from the stated glide path and rebalance the fund's asset allocation so as to make informed investment decisions based on their risk tolerance.

Additionally, the SEC should require:

- A statement recommending that investors periodically revisit whether a fund remains an appropriate investment given particular circumstances and needs; and
- A statement recommending that investors consider whether an investment adviser or CERTIFIED FINANCIAL PLANNERTM professional would be helpful in assessing whether a target date fund is an appropriate investment.¹³

B. A Visual Depiction of the Glide Path Would Help Investors

In order to provide information about the fund's historical and intended asset allocations, the SEC also proposed to require marketing materials that are in print or electronic form to provide information about the target date fund or funds in a prominent table, chart, or graph.¹⁴ Specifically, the table, chart, or graph must clearly depict the percentage asset allocation of the fund or funds at inception, the target date, and the landing point, as well as at periodic intervals no longer than five years in duration. The SEC has proposed five-year intervals because they would likely be more effective than shorter or longer intervals in demonstrating the fund's glide path.

We support the SEC's proposal to require all print and electronic marketing materials for target date funds, including those that do not include a date in their name, to include a prominent table, chart, or graph that depicts the fund's glide path. Requiring a prominent visual depiction of the glide path would provide

¹¹ Proposing Release, 75 Fed. Reg. at 35,931–32.

¹² MORNINGSTAR, TARGET-DATE SERIES RESEARCH PAPER: 2010 INDUSTRY SURVEY 15 (2010), http://corporate.morningstar.com/US/documents/MethodologyDocuments/MethodologyPapers/TargetDateFundSurvey_2010.pdf [MORNINGSTAR SURVEY].

¹³ We believe the SEC should limit such a recommendation to those financial professionals who are required to comply with the fiduciary standard of care.

¹⁴ Proposing Release, 75 Fed. Reg. at 35,925.

useful information regarding how a fund reaches the target date and landing point, and should allow investors to distinguish a target date fund that changes its asset allocation gradually over time from one that does so aggressively with a steeper glide path at the end.

The SEC is not proposing to require radio and television advertisements to include a table, chart, or graph as it would be difficult to convey this information and may substantially increase costs.¹⁵ We agree that it would not be reasonable to require radio and television advertisements to include a table, chart, or graph.

We agree that the table, chart, or graph should clearly depict the percentage allocation of the fund at inception, the target date, and the landing point, as well as at periodic intervals no longer than five years in duration. Shorter intervals throughout the entire glide path may confuse investors by providing too much information.

The SEC has requested comment as to whether shorter intervals should be used at the target date or landing point.¹⁶ We believe the SEC should require one-year intervals for the five-year period prior to the target date and landing point to provide investors with more-detailed information about the glide path at those points.¹⁷

C. Investors Need to Know a Fund's Actual Asset Allocation

The SEC has proposed requiring disclosure of asset allocation among types of investments (i.e., the underlying asset classes in which the target date fund invests).¹⁸ We believe a target date fund should be required to disclose the entire asset allocation, including equity securities, fixed income securities, and cash and cash equivalents. Requiring disclosure of the entire asset allocation will “convey better information about investment risk than alternatives that disclose only part of the asset allocation.”¹⁹

1. Investors Need to Know the Underlying Asset Classes of a Fund of Funds

The proposal would require disclosure of a target date fund's asset allocation among types of investments.²⁰ In taking this approach the SEC recognizes that many target date funds invest in other mutual funds rather than directly in underlying asset classes. We agree with the SEC's proposal to require a target date fund to disclose the underlying asset classes in which it invests indirectly through any underlying funds. This will help ensure that all target date funds disclose asset allocations in a consistent manner and, hopefully, enhance the ability of investors to compare funds.

¹⁵ *Id.* at 35,932.

¹⁶ *Id.* at 35,933.

¹⁷ Some funds could approach the target date and landing point in different ways, either gradually over a five-year period or abruptly at the target date or landing point.

¹⁸ *Id.* at 35,926.

¹⁹ *Id.* at 35,925.

²⁰ *Id.* at 35,926.

2. **The SEC Should Require Additional Information About Specific Asset Sub-Classes/Styles**

The SEC's proposal contemplates that funds will continue to present information about asset allocation using the broad asset classes of equity, fixed income, and cash. We are concerned that these classes are so broad that they do not communicate sufficient information about a fund's actual asset allocation, investments, and risks. Disclosing only the broad asset classes in which two target date funds invest may not effectively convey the level of investment risk presented where they follow different investment strategies within a broader asset class. When two funds have the same allocation based upon the proposed asset classes, but are managed according to different investment strategies, they would likely have disparate allocations at the portfolio level. In 2008, those 2010 target date funds with asset allocations that better-reflected investor expectations—those with lower exposure to equity securities—generally withstood the market downturn better than those with higher target equity allocations.²¹ Some funds with lower exposure to equities also suffered higher-than-average losses, likely due to investments in more aggressive fixed income instruments. On the other hand, the 2010 funds with greater exposure to equity securities had greater returns in 2009. For example, Wells Fargo Advantage DJ Target 2010 outperformed American Indep NestEgg 2010 “by nearly 5 percentage points in 2009 despite holding the same percentage common stocks, thereby demonstrating that the glide path is a valuable method for evaluating target-date performances, but this is far from the full story.”²²

To address this concern, the SEC should require funds to provide more specific information about their intended allocations in those materials that allow sufficient space for this information—prospectuses, summary prospectuses, and marketing materials that are distributed to investors via the Web or free-standing brochures. Those marketing materials that do not provide sufficient space (e.g., advertisements in print or broadcast media) should be required to include a narrative statement alerting investors that the asset allocation disclosed does not fully describe the fund's portfolio holdings and advising investors to refer to the fund's prospectus or Web site for more information.

D. The SEC Should Address Concerns About Other Types of Funds

The SEC's proposed disclosure requirements would apply only to certain mutual funds aimed at an investor's retirement needs. We believe that certain other types of funds have the same potential to mislead investors and encourage the SEC to adopt rules or issue other guidance addressing the concerns raised by these other funds. While the proposed definition of target date fund would likely cover the types of funds the SEC seeks to address in its proposal, the SEC should consider ways of enhancing oversight of additional funds. Target date fund would be defined to mean “an investment company that has an investment objective or strategy of providing varying degrees of long-term appreciation and capital preservation through a mix of equity and fixed income exposures that changes over time based on an investor's age, target retirement date, or life expectancy.”²³ In the Proposing Release, the SEC indicated

²¹ MORNINGSTAR SURVEY, *supra* note 12, at 9 (finding that of the 14 funds with a 2010 target date that suffered above-average losses in 2008 (i.e., greater than 24%), 11 had a target equity allocation of 50% or greater).

²² *Id.* at 10.

²³ Proposing Release, 75 Fed. Reg. at 35,924.

the proposed definition is intended to apply “to all funds that hold themselves out to investors as target date funds.”²⁴

First, the proposal would not apply to funds offered as investment options in 529 plans, although they too are intended in many cases to provide asset allocations targeted to a specific date and have demonstrated volatility similar to target date funds. Unlike target date funds, which are designed to provide income for as long as thirty years, 529 plan target date vehicles are designed to cover expenses over a short period of four or five years. An investor in a 529 plan target date vehicle would expect a stable (e.g., low volatility and investment risk) funding source as college tuition payments near. The recent market downturn demonstrated that many 529 plan investment options are not designed in this manner.²⁵ Rather, many parents were left with insufficient funds to pay college tuition for their children, partly because certain 529 plan investment options had asset allocations that did not meet investors’ reasonable expectations. The SEC should require marketing materials for 529 plan investment options to disclose more-detailed information about the investment options. For example, an investor in a 529 plan target date vehicle would need to understand the related glide path and the landing point (i.e., the date on which the investor plans to access the funds to begin paying expenses for college education). The SEC could model these disclosure requirements on those it has proposed for target date funds.

Second, there are a number of non-mutual funds that are also marketed as target date vehicles for retirement purposes and available as investment options under retirement plans, such as bank collective investment funds and insurance company separate accounts. Less sophisticated and unadvised investors will likely have beliefs that these products are designed to reduce investment risk over time. We believe that these investors should have the benefit of disclosures comparable to the SEC’s proposals and our recommendations for target date funds. We note that the ICI Principles stated that they can be used by “target date funds offered as mutual funds, collective funds, insurance company separate accounts, or customized products.”²⁶ Although the SEC does not prescribe the contents of these other funds’ offerings or marketing materials, interests in these funds are securities, and material misstatements in connection with their offer or sale are actionable under the Federal securities laws to the same extent as with shares of mutual funds. Therefore, we urge the SEC to provide guidance (similar to that proposed in this rulemaking) about the circumstances in which it would deem those funds’ marketing materials misleading under Exchange Act rule 10b-5 and other applicable laws.

²⁴ *Id.*

²⁵ See, e.g., Jason Zweig, *Did Your College Savings Plan Blow Up on You?*, WALL ST. J., Mar. 20, 2009, available at <http://online.wsj.com/article/SB123758112211598861.html> (noting the equity exposure possible in several states for college-aged students, including Maine (0% cash), New Mexico (0% cash), North Carolina (43% stocks and bonds), Oregon (40% stocks), Rhode Island (40% stocks, 55% bonds, and 5% cash), and Utah (65% stocks)).

²⁶ ICI PRINCIPLES, *supra* note 9, at 1.

IV. The SEC Should Take Additional Steps to Protect Investors in Target Date Funds

While we believe the proposed amendments will help increase investor understanding of target date funds, we believe there are additional disclosures the SEC should require to provide greater protection for investors in target date funds.

A. The SEC Should Enhance Disclosure Requirements for Other Materials

While the SEC has proposed amendments to the rules relating to marketing materials for target date funds, it has not proposed additional requirements for other disclosure materials. Currently, a target date fund must disclose its investment objective, principal trading strategies, principal investment risks, and fees and expenses in its prospectus. For the reasons stated above, the following additional disclosures should be required in the primary disclosure documents for target date funds (i.e., the summary prospectus and prospectus):

- The SEC should require a description of the glide path, the significance of specific points along the glide path, the investment adviser's flexibility to deviate from the glide path, and specific risks of investing in target date funds.
- The SEC should require a target date fund to disclose whether the glide path is designed to extend "to" or "through" the target date.²⁷
- The SEC should require a target date fund that discloses a range of potential percentages in its marketing materials to disclose more clearly how these ranges operate.
- The SEC should require a target date fund to disclose whether, and the extent to which, the investment adviser can modify the intended asset allocations without a shareholder vote.²⁸
- The SEC should require disclosure of the underlying assumptions used in developing a target date fund's glide path, including life expectancy, inflation, savings rate, other investments, additional retirement income, and withdrawal rates.
- The SEC should require target date funds to disclose subdivisions of asset classes. The SEC should also consider whether a target date fund should be required to disclose subdivisions of asset classes when material is presented on a Web site as the fund company would have sufficient space to do so.²⁹

In addition, we believe the SEC should require a target date fund to include focused and limited disclosure in its shareholder reports comparing the fund's performance to the median performance of peer funds with the same target date, as well as an explanation of the extent to which any difference can be attributed to cost, asset allocation, selection of securities, or any other relevant factors.

²⁷ See *supra* part III.A.

²⁸ See *supra* text accompanying notes 11–12.

²⁹ See *supra* part III.C.

B. The SEC Should Conduct Focus Groups and Surveys of Investors Prior to Finalizing the Rule Amendments

The Proposing Release seeks comment on a number of questions related to the effect the proposed disclosures might have on investor behavior. For example, in the Proposing Release, the SEC stated it believes increased information about the asset allocation at the target date will reduce the potential for investor misunderstanding when a target date fund's name includes a date.³⁰ We are concerned that this disclosure, standing alone, does not provide sufficient information to alert investors to the risks related to investing in a target date fund, and that it may cause investors to place undue emphasis on the target date asset allocation at the expense of other important disclosures.³¹

For these reasons, we encourage the SEC to conduct focus groups and surveys of investors to assess the effect these disclosures might have on investor behavior, and to assess the efficacy of disclosure in different kinds of written communications (e.g., marketing materials, prospectus, summary prospectus, shareholder reports). In developing rule 498 under the Securities Act, the SEC engaged a consultant to conduct focus group interviews and a telephone survey to assess investors' views on a mutual fund summary prospectus.³² We believe such a process would prove instructive with target date funds, as it did when the SEC finalized rule 498, and would also be helpful should the SEC determine to amend the prospectus and summary prospectus requirements for target date funds. We also urge the SEC to work through its Office of Investor Education and Advocacy, and in collaboration with the Department of Labor, to explore appropriate means of educating investors more generally about target date funds outside of the context of fund disclosure and marketing documents.

V. The SEC Should Seek Ways to Enhance Comparability to Peer Target Date Funds

We have previously expressed serious concerns that the names of target date funds are materially misleading to investors because some funds are managed in ways that are inconsistent with investors' reasonable expectations created by the names of the funds.³³ Specifically, the use of a date in a target date fund's name implies stability of principal in the period immediately preceding that date. We believe it is inconsistent with those investors' reasonable expectations for a target date fund to have high equity exposure at the target date. For these reasons, we recommended that the SEC amend rule 35d-1 under the

³⁰ Proposing Release, 75 Fed. Reg. at 35,924.

³¹ See, e.g., Troy A. Paredes, Commissioner, Securities and Exchange Commission, Statement at Open Meeting to Propose Amendments Regarding Target Date Retirement Fund Names and Marketing (June 16, 2010), available at <http://sec.gov/news/speech/2010/spch061610tap.htm> (“[A]s investor focus shifts to the new disclosure, a fund’s asset allocation at the target date may itself become unduly salient information that disproportionately influences investors as compared to other significant information that is presented less noticeably in marketing materials.”).

³² See Enhanced Disclosure and New Prospectus Delivery Option for Registered Open-End Management Investment Companies, 74 Fed. Reg. 4546 (Jan. 26, 2009) (codified at 17 C.F.R. § 230.498); ABT SPRI INC., FOCUS GROUPS ON A SUMMARY MUTUAL FUND PROSPECTUS (2008), available at <http://www.sec.gov/comments/s7-28-07/s72807-142.pdf>.

³³ *Target Date Funds and Other Similar Investment Options: Hearing Before the U.S. Securities and Exchange Commission and the U.S. Department of Labor* 4 (June 18, 2009) (statement of Marilyn Capelli Dimitroff, Chairman, Certified Financial Planner Board of Standards, Inc., President, Capelli Financial Services, Inc.), available at <http://www.dol.gov/ebsa/pdf/cmt-07200902.pdf>.

Investment Company Act of 1940 to provide that a target date fund's name is materially deceptive and misleading unless the fund's investments fall within an acceptable range of asset allocations consistent with its name.

We remain concerned that disclosure may not be sufficient to ensure that investors understand how target date funds may operate differently from investors' reasonable expectations. We recognize the SEC has not proposed to enhance regulation of target date funds as we recommended and has proposed instead to pursue enhanced disclosure requirements to foster investor understanding. This approach, while valuable, does not go far enough.

We urge the SEC to require clear and prominent disclosures that will alert investors when a target date fund's equity allocation differs materially at the target date, landing point, and during the five-year periods immediately preceding those dates, from the average allocations of peer funds with the same target date. We believe this type of disclosure will be most effective in raising investor awareness that some target date funds may experience greater volatility than their peers.

Specifically, we believe there are two comparisons that would provide the greatest benefit to investors. First, target date funds should be required to identify the average target equity allocation for all target date funds with the same target date and disclose the extent to which its target equity allocation differs from the average. Second, they should be required to provide a graphical comparison of the average glide path for all target date funds with the same target date along with the fund's stated glide path. Funds can obtain information about the average allocations of their peers with the same target date from several sources. At present, this information is available from private sources such as Morningstar and Lipper. In addition, if the SEC adopts our recommendation to include allocation information in fund prospectuses, that information will be easily tabulated and analyzed using XBRL coding of that data.

These disclosures will effectively alert investors to the level of investment risk presented by a particular target date fund. Simply disclosing a fund's asset allocation without providing a baseline from which to compare to other funds fails to provide meaningful investor protection. The average investor in a target date fund relies on investor protection rules established by the SEC, is unlikely to pursue professional advice, and does not research investments sufficiently. It is unlikely this investor would understand that funds with the same target date can be managed according to different asset allocations. Requiring these types of comparisons would provide investors with useful information in understanding the investment risk associated with a fund.

VI. Conclusion

CFP Board appreciates the opportunity to comment on the proposed amendments to rule 482 under the Securities Act of 1933 and rule 34b-1 under the Investment Company Act of 1940. If you should have any questions regarding this comment letter, CFP Board, the financial planners it certifies, or the CFP® marks, please contact Marilyn Mohrman-Gillis, Managing Director, Public Policy and Communications, at (202) 379-2235, or visit CFP Board's Web site at www.CFP.net.

Sincerely,

A handwritten signature in black ink that reads "Kevin R. Keller". The signature is written in a cursive, flowing style.

Kevin R. Keller, CAE
Chief Executive Officer

cc: The Honorable Mary L. Schapiro, Chairman
The Honorable Kathleen L. Casey, Commissioner
The Honorable Elisse B. Walter, Commissioner
The Honorable Luis A. Aguilar, Commissioner
The Honorable Troy A. Paredes, Commissioner